

Message Text

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ACTION EUR-12

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TAGS: ETRD PO
SUBJ: PORTUGUESE TRADE DEFICIT IN FIRST QUARTER 1978

1. BEGIN UNCLASSIFIED: GOP MINISTRY OF FOREIGN TRADE
RECENTLY COMPLETED A STUDY COMPARING PORTUGUESE FOREIGN TRADE
FIGURES FOR THE FIRST QUARTER 1978 WITH THE CORRESPONDING
1977 PERIOD. STUDY REVEALS A SHARP RISE IN THE TRADE DEFICIT
TO 602 MILLION DOLLARS, UP ON THIRD FROM 452 MILLION DOLLARS
IN 1977. IMPORTS ROSE SOME 22 PERCENT OVER THE PERIOD,
WHEREAS EXPORTS GREW A MORE MODEST 10.5 PERCENT. EXPORTS
AS A PERCENTAGE OF IMPORTS DROPPED FROM 51.1 PERCENT TO
46.7 PERCENT.

2. IMPORTS IN THE FIRST QUARTER OF 1978 REACHED AN
ESTIMATED 1,130 MILLION DOLLARS. FOOD (UP 51 PERCENT IN
VALUE) AND MINERAL PRODUCTS (UP 62 PERCENT) ACCOUNT FOR THE
LION'S SHARE OF IMPORT GROWTH. IN PARTICULAR, GRAIN AND
CEREAL IMPORTS WERE UP SHARPLY, DUE TO A POOR 1977
HARVEST AND THE NEED TO REBUILD DEPLETED RESERVES.
WHEAT IMPORTS ROSE TENFOLD, CORN WAS UP 600 PERCENT, AND
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SORGHUM 210 PERCENT. CRUDE OIL IMPORTS ALSO ROSE SHARPLY
(UP 38 PERCENT), DUE LARGELY TO STOCKBUILDING FOR THE
START UP OF THE SINES OIL REFINERY.

3. EXPORTS IN THE FIRST QUARTER OF 1978 WERE 528 MILLION
DOLLARS. GREATEST EXPORT GROWTH OVER THE PERIOD WAS SHOWN
BY THE FOLLOWING SECTORS: BASE METALS (UP 29.2 PERCENT);

CHEMICALS (UP 27.4 PERCENT); TEXTILES, TRADITIONALLY ACCOUNTING FOR SOME ONE QUARTER OF EXPORTS (UP 18 PERCENT); AND MACHINERY, MECHANICAL APPLIANCES AND ELECTRICAL EQUIPMENT (UP 10 PERCENT). OTHER TRADITIONALLY IMPORTANT EXPORT SECTORS ALSO ROSE SHARPLY, INCLUDING CANNED FISH (53.7 PERCENT), WINE (41.1 PERCENT), AND FOOTWEAR (16 PERCENT).

4. GEOGRAPHIC BREAKDOWN: U.S. SHARE OF TOTAL PORTUGUESE TRADE NEARLY DOUBLED, REACHING 11.3 PERCENT, COMPARED TO 6.6 PERCENT IN FIRST QUARTER 1977. LARGE U.S. AGRICULTURAL EXPORTS WERE RESPONSIBLE FOR THE GROWTH. THE TRADITIONALLY IMPORTANT EC SHARE DROPPED marginally FROM 49.4 PERCENT TO 47.5 PERCENT, THAT OF EFTA REMAINED CONSTANT AT 10 PERCENT, AND THE SOCIALIST COUNTRIES' SHARE DECLINED SLIGHTLY FROM 3.8 PERCENT TO 3 PERCENT. END UNCLASSIFIED.

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COMMENT: THE SURGE OF IMPORTS DURING THE FIRST QUARTER, WHICH PRECEDED THE IMF ACCORD, HAS DISTURBED A NUMBER OF OBSERVERS. IF ONE SIMPLY QUADRUPLES THE ESTIMATED FIRST QUARTER RESULTS, HOWEVER, THE TOTAL FOR THE YEAR WOULD STILL BE WITHIN THE EMBASSY'S PROJECTION OF 4.63 BILLION DOLLARS. IF THE ANTICIPATED DOMESTIC CREDIT SQUEEZE OCCURS, IT SHOULD RESTRAIN THE NORMAL TENDENCY FOR IMPORTS TO GROW DURING THE SECOND HALF OF THE YEAR AND THUS KEEP THEIR LIMITED OFFICIAL USE

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TOTAL WITHIN THE EMBASSY PROJECTION. EXPORT GROWTH OF 10.5 PERCENT IN THE FIRST QUARTER IS SLIGHTLY BELOW THE EMBASSY PROJECTION OF 11 PERCENT FOR THE YEAR. WE CAN, HOWEVER, EXPECT THE RATE OF GROWTH TO RISE SOMEWHAT AS THE YEAR PROGRESSES.
BLOOMFIELD

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